

## FISHER HEARING

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previous years ranged generally around that figure. This is the income above all expenses. The net revenue from the floating stock last year was slightly over 7 per cent while, the income from other holdings, which consist largely of stocks and bonds, amounted to about 12 per cent.

The company was originally owned by T. R. Foster & Co. The corporation increased its stock to \$600,000. There are no bonds outstanding now, he replied, to the Secretary's question. When the Inter-Island finally took over in 1902, six men buying out the other interests and the stock being divided pro rata among them. They paid \$150 per share for the stock of the Wilder brothers and increased the company's capitalization to \$1,500,000.

This increase came naturally, he declared, by combining the stock of the two shipping companies that the six men purchased. They figured their physical assets were worth the \$1,500,000.

The Secretary then began an inquiry into the Inter-Island rates, asking first on what basis these are fixed. Kennedy explained they could not base it on mileage, because the time consumed in carriage is due largely to the weather, the condition of the wharves, the size of cargoes, etc. He admitted that the present rates were largely the outgrowth of custom.

The Secretary suggested that the rates on steamship lines are often largely a matter of hit-and-miss, or guess-work. Kennedy said: "Yes, I guess that is largely true." Kennedy explained that the rate generally includes landing of cargo, though not wharfage. The freight rate for general merchandise from Honolulu to Hilo is about \$2.50 a ton, he stated. The rate for cheap freight from Hilo to Honolulu is \$2 a ton.

"How about pineapples?" Mr. Fisher asked. "Now that is something the homesteader and small farmer is interested very much in," said Kennedy, and proceeded to retail the process of handling these cargoes.

"Our officers, engineers and crews receive the highest pay in the world," he said, when asked concerning his salary scale.

"This statement includes the captains," and then told how they are now paid for overtime and holidays. Usually, he said, the crews are Hawaiians, who are paid about \$40 a month, with meals and bunks on the boats. When they can't get Hawaiians, even at those wages, which is sometimes difficult, they take Japanese, Chinese or any others they can get.

Hawaiians want to get into the towns, he said in explanation of the difficulty of keeping labor on the boats. He said no complaints of rates had come to his ears, and thought he would hear of it if any were made of either rates or service.

He also denied that any report of complaints from wharves in various ports had come to him. He had heard of a commission investigation of conditions at Kahului, Maui, but did not know the details. The Secretary promptly produced the report, in book form, and read therefrom extracts declaring the conditions there "intolerable" and appealing to the Legislature for relief from the high rates charged there.

The Secretary asked why the regulation of wharves there shouldn't be done by the Government. Kennedy replied that would be all right. He admitted that his business does not come under the rules of the Inter-State Commerce Commission and asked what he would think if a local commission were given authority over it, said it would be welcomed if the body were unbiased in its work.

Asford then mentioned that an attempt in Congress to put the Inter-Island under the authority of the Inter-State Commerce Commission and asked if it were not true that Kennedy had gone to Washington to head off that movement. Kennedy admitted it was true, adding his reason, that he did not think men in the East should have such jurisdiction because they do not understand conditions in the Islands.

Asford then took up a discussion of comparative freight rates between this city and Hilo and Lahaina. Though the mileage difference is about 150 miles, the rates are virtually the same, Kennedy explained, that loading and unloading facilities make the difference, those at Lahaina being nearly so good as those at Hilo.

The rate to Pepeekeo, this side of Hilo, is \$40 a ton, he admitted. After a five-minute diverging debate between Kennedy and Asford concerning the alleged refusal of the Inter-Island agent to ship a consignment of horse collars from Hilo to some way ports, the Secretary asked if Asford did not think a public utilities or commerce commission should delve into these questions of alleged discrimination. Asford said he thought that would be the proper solution.

Kennedy stated the rate from Hilo on cattle is \$5 per crier, this being subject to a maximum limit of 75 head.

Mr. Asford attempted to show discrimination between the large and small cattle shippers, but Mr. Kennedy denied this absolutely.

In response to questions as to passenger rates, Kennedy declared that although the passenger rates have not been lowered, the service has been vastly improved.

tion received its commission about the middle of 1908 and reported in November of the same year. The commission did not unite in its recommendations, he said. He said there was great difficulty in getting the commission together, but that the commission made every endeavor to reach the people in all the islands and asked for all the public suggestions possible. Public hearings were held on all the islands. Very few constructive schemes were outlined, he maintained, but as a result of all its work, the commission came to the conclusion that the question was one of administration—the law was not so bad.

They concluded that the proper administration of the land laws was to give the executive broad discretion. "Our ideas have not worked out to my mind," he said. "That discretion has been very largely nullified." He thought that amendments made to the laws had taken away much of this discretion.

After the report was filed, many changes were made in the land law that were not favored by the report. The commission's idea, said Mr. Lewis, was to make the homesteading conditions strongest up to the time the settler got his title, but the commission was not willing to lay down hard and fast rules against alienation.

There is the problem here, I'll admit, to keep your homestead lands out of corporate hands," he said, "but they may be times when the homesteaders want to form little independent corporations of their own, and to secure advances they might have to put their lands in for these advances."

He urged that the power be left definitely to the government to go upon by such lands and have the rights reserved in any sale or lease of homestead lands.

Talk up the question of advances to homesteaders, he said he thought that the bankers of Hawaii generally are desirous of making such advances under reasonable security. He said the restrictions against alienation of homesteads would work against financial institutions feeling safe in making advances. Government advances he suggested, he said, but the commission doubted the constitutionality of such action.

He thought consistent effort should be made to homestead the land, but did not approve of experimenting that would wreck the system that has proved satisfactory. He thought that without restrictive laws setting the amount of land a corporation shall hold, the corporate interests would soon hold most of the good lands in the Islands.

If it is demonstrated as the only successful way of handling lands here, however, he thought that system should prevail. He did not think that that would generally prove true. He knew there were individual cases which would show a contrary.

The Secretary explained to Lewis the method of retiring holdings of irrigated lands in the States and asked if he did not think regulation of that character would work here.

Lewis, in answer to question of bank loans to small powers, stated that sometimes, where loans are made on the crop as the security, the bank has control of a situation, owning the plantation.

He thought undeveloped lands should be homesteaded, the developed lands next. He did not approve the idea that 25 acres to a settler could compel the opening of a homestead tract, however, believing the final decision should be left to the discretion of the administration.

"Suppose these lands were opened up in larger tracts, with public utilities commissions and rights taken care of by the government, do you think there would be difficulty in finding homesteaders take all the available lands?"

"It would depend largely on the cooperation of the Government and the homesteaders taken, but I gain to the Territory would be useful. The industry requires cooperation of the farmer, the mill owner, all."

He thought conditions here, just as good as in the United States. "What percent of the population do you think feel as you do about it?" Lewis believed that many of them, such as the Portuguese, Irish, Japanese, etc., did not give much thought to the subject.

Asked what he thought of the graph in the commission report, he said the theory that the central islands should not be taken from the plantations, Lewis cited the case of the Waialeale plantation, which is built up with great expense and is the government lands held by it. He thought the lands should not be thrown open to homesteading unless it is certain reliable persons are taking it, so its production is not decreased.

As to "Bank Control," Mr. Lewis was questioned briefly by Attorney Olson, to elucidate certain points in his ideas about homesteading. Questioned more closely on "bank control" in the Maui land, he had referred to, Lewis said he would rather not go into private matters. He explained, however, that Morgan & Company and several others did not mean that banks were getting control of the land.

"Land is the last thing a bank wants," he said amid laughter. Prof. F. G. Krauss, agronomist of the College of Hawaii, was called about noon, after Secretary Fisher had called upon A. W. Carter and found that Mr. Carter was not present.

Mr. Krauss was asked about his homesteading at Haiku. He said he is complying with the residence qualification as interpreted by the attorney general, whereby his family will reside continuously on the land though he will continue teaching in Honolulu, except during the summer. "My whole aim is to get a home for the future," he said, when asked by the Secretary as to his plans for homesteading.

Speaking generally, he declared his

belief in the feasibility of homesteading the public lands here. He said he believes most of the previous failures have resulted from lack of experience and adaptability. Mr. Krauss painted a rather optimistic future for homesteading in Hawaii, saying that many possibilities are yet to be realized. He believes homesteading will be rather limited as a whole.

Asked as to the possibilities of homesteading the cane lands, Mr. Krauss expressed a strong doubt as to whether white settlers would care to undertake cane culture.

When Mr. Asford took up the questioning of Mr. Krauss, he began to ask him about the California Settlement Association, its formation and operation.

It was evidently, as part of the Delegate's complaint about the manner in which this homesteading was brought about. Asford brought out the fact that S. T. Starrett, superintendent of public marketing; E. B. Blanchard, food inspector, and other Honolulu residents were the principal ones interested in the formation of the association and the homesteading of the Haiku lands. He said he and other homesteaders are somewhat afraid that at the end of the present seven-year contract the canneries may have all the pines they need, and they may be some difficulty in renewing the contract at the present price. However, he paid a commission to the Haiku canneries, saying that it has treated the homesteaders very fairly and encouraged them.

This ended the morning hearing.

TODAY'S HEARING IN  
DETAILED STATEMENT

## REMARKS OF MR. J. A. KENNEDY.

Fisher: What is your full name, Mr. Kennedy?

Kennedy: James A. Kennedy.

Fisher: With what concern are you connected?

Kennedy: I am general manager of the Inter-Island Steam Navigation Company.

Fisher: How long have you been in that office?

Kennedy: Since 1902.

Fisher: What was your occupation prior to that time?

Kennedy: I was in the employ of the Honolulu Iron Works.

Fisher: And how long have you lived in the Islands—were you born here?

Kennedy: No, I was born in Scotland.

Fisher: When did you come here and how did you happen to come?

Kennedy: I arrived here first in 1878. My brother was working in the Honolulu Iron Works at that time. I worked for that firm for a little while; then went back to San Francisco. After I went back the manager of the Honolulu Iron Works wrote up for me to come down here. I did not come; and two years after that the same manager wrote up to Davies, the San Francisco manager, to come and see me. He did come to see me and I came down—that was in 1880. I stayed with that company until 1902.

Fisher: What was your position with that company?

Kennedy: I began as bookkeeper and was then practically in charge of all merchandise.

Fisher: And you have no large interest in the company itself?

Kennedy: No.

Fisher: Who are the principal owners of the company?

Kennedy: There are several corporations holding stock. The August Dreier Estate, Limited, is the largest stockholder—they own 2799 shares.

Q. Who are they?

A. Simply an estate.

Q. What people are interested in the estate?

A. Just the family.

Q. Are they living here?

A. Most of them are living here. I think one daughter is away. Most of them are here.

Q. Are they interested in the sugar business?

A. Not now; they used to.

Q. What have they done with their sugar interests?

A. They sold their interest.

Q. And that was some time ago?

A. Yes.

Q. So that now for a considerable period of time they have had no interest in sugar so far as you know?

A. No.

Q. Who are—name some of the other holders?

A. C. M. Cooke, Limited, Estate.

Q. That a Hawaiian estate?

A. Yes.

Q. People interested in it living here?

A. Yes.

Q. Are they interested in sugar?

A. Yes; I believe they are.

Q. At the present time?

A. At the present time.

Q. What plantations are they interested in principally?

A. Pahala Sugar Company.

Q. On what Islands?

A. On Hawaii; and Waialuku, on Maui, and I guess Ewa plantation and Waialua, on this Island. I am not

Q. How large a holding have they in your company?

A. 749 shares.

Q. Are there any others?

A. Hawaiian Electric Company, J. ters. He explained, however, that Morgan & Company and several others did not mean that banks were getting control of the land.

"Land is the last thing a bank wants," he said amid laughter.

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Q. Yes, I want that. Who are they?

A. Albert Wilcox of Kauai and George Wilcox of Kauai.

Q. Who are they—are they interested in sugar?

A. Yes, George Wilcox is—he grows sugar and sells it to the plantation.

Q. How many shares has he got?

A. I think the Wilcoxes own about 2000 shares.

Q. They are both interested in sugar?

A. Albert used to be, I don't think he is now. Then there is S. W. Wilcox, E. N. Walsh & Co. of San Francisco, F. Sinclair, Mary E. Foster of Honolulu, Aubrey Robinson of Makaweli and Mrs. Beckley and Carrie S. Godfrey of San Francisco.

Q. Now, running through those names—are any of them interested in sugar here on the Islands?

A. Yes, Aubrey Robinson is interested in sugar.

Q. In what way?

A. He grows some sugar and he leases a valuable piece of land to the Makaweli Sugar Company on Kauai.

Q. Now are there any others?

A. E. N. Walsh & Company used to be interested in sugar. He is living in San Francisco—has been for a number of years and I do not know whether he has sold out—whether he is interested in sugar or not. J. M. Dowsett owns some shares also. He is interested in sugar by having an interest in the Waialeale plantation on this Island.

Q. Is that all?

A. Yes.

Q. What property does the company own in general?

A. We have 17 steamers—the floating property is about 45—is about 55 per cent of our assets, that includes our steamers and the landings.

Q. You say landings?

A. The moorings at the different landings.

Q. What is the rest of the property?

A. The rest of the property—45 per cent consists of valuable property on the city front—real estate. It is waterfront property; also a coal plant, we have an up to date cooling plant down there. We run the marine railway—we have a lease of it which expires this year. We own our own building lots where the office is, we own the property on Queen street where our shops and warehouses are. I think that is all the property.

Q. How about property—real estate on the other Islands?

A. Nothing.

Q. You own nothing outside of Oahu?

A. No.

Q. Have you any docks, wharves or landings on the other Islands?

A. No.

Q. What dividends does the Company pay?

A. This last year we paid 3 1/4 per cent.

Q. How has that been comparatively?

A. In 1907 we paid 9 per cent, in 1908 we paid 9 per cent, in 1909 we paid 8 1/4 per cent, in 1910 we paid 7 3/4 per cent, in 1911 we paid 8 1/4 per cent.

Q. In addition to that have you any accumulated surplus?

A. Yes. We are extending our property for shipping and things of that kind, and we invest the surplus.

Q. These investments, are they over and above maintenance, repairs and renewals?

A. Yes. You see, in this company they used to insure all the steamers but for the last 12 years they have not and the insurance fund has been reinvested and brings them quite a revenue.

Q. And what kind of property is that generally?

A. Bond and stocks and things of that kind.

Q. You invested your insurance account in securities?

A. Yes in securities.

Q. Have you got any—do you carry on your books a capital account showing the actual investments of money in the property originally—at the time the stock was sold or subsequently through betterments and improvements?

A. Well, we keep a record of property that is bought and sold—

Q. How does the capital account compare with the outstanding stocks and bonds? I mean your capital account on your books your actual investments—does that show the actual investments—how does that compare with the actual securities?

A. I think the securities are much more valuable than the capital account.

Q. Do you know how the stock was originally issued?

A. The company originally was owned by T. R. Foster, a partnership corporation, and the Inter-Island steam Navigation Company was formed and took it over. They sold more stock as they built more steamers. It was only a very small thing when it began and as more steamers were built they had to issue more stock until the capital stock was \$600,000, all paid in.

Q. Were there any bonds?

A. No there has never been any bonds issued.

Q. There are no bonds outstanding now?

A. No. The Company went along that way until I took hold of the Company in 1902. There were two companies then, the Wilder Steamship Company and the Inter-Island Steam Navigation Company—they were working on a basis of different runs. Well, I got an option on the controlling interest of the Wilder Steamship Company and then the two companies came together. The stock that these men bought were given to the stockholders of the Inter-Island company pro rata without a cent of profit to these six men who took all the risk and responsibility.

Q. That is, you distributed all the stock pro rata.

A. Yes. Then the capital stock was raised to \$1,500,000.

Q. What had been the capital stock of the Inter-Island company prior to that?

A. \$600,000.

Q. And it was increased to \$1,500,000.

A. Yes.

Q. What—did you have to pay as much as par for the Wilder stock?

A. We had to pay \$150 a share.

Q. As a matter of fact, you had to pay at the rate of \$750,000 for that Company?

A. Yes.

Q. And what did you do, transfer the whole of that property to the Inter Island Company.

A. Yes.

Q. There was a little increase in the valuation of the stock when you put the two together? You put your own in at more than par?

A. Yes at one and a quarter.

Q. At one and a quarter and call the whole thing \$1,500,000. What happened after that?

A. An increasing value.

Q. That is, you issued a stock dividend?

A. Yes, in 1909 we increased our capital stock to \$2,250,000.

Q. That was an increase of \$750,000?

A. Yes.

Q. It was a physical valuation?

A. Yes a physical valuation.

Q. It was not based on earning power?

A. No.

Q. As a matter of fact the theory on which this stock was increased was that you had physical assets worth that or more than that at the time you made the increase?

A. Yes.

Q. What are your rates in general, how do you make the rates—what are they based on?

A. As a general thing, rates?

Q. Yes.

A. Well, I don't know—

Q. Are they based on mileage?

A. We cannot altogether base them on mileage. There are certain ports on the lee side of the Islands which are accessible. There are other ports on the windward side of Hawaii—there are altogether in Hawaii 26 landings—there are 18 private landings and 8 government landings.

Q. You stop at all these?

A. Yes. On the windward side of Hawaii there are 18 private landings and only one government landing and these are the ones which are so difficult, especially in the winter time. They are very hard to approach. Sometimes the steamers cannot enter and have to bring the freight back with them. We cannot base the rates on mileage. It is a great deal on the quantity or freight and the conditions of the landings themselves.

Q. Is there any real basis that you can explain to me or any one else for those rates or is it like railroad rates on the mainland?

A. I presume it is much like that. That is, the rates were there when I came, I may safely say, so far as general merchandise is concerned some of the rates have been reduced quite considerably.

Q. As between two ports you say the rate here is so much and the rate there is so much more—how can you explain that to me?

A. In some cases we put a little more—for instance there is the Kona side where there is perhaps—there are 5 landings in the Kona district, perhaps 50 or 60 miles apart where the conditions are about the same. Well there the rates are all the same.

Q. You say well the disadvantages of one kind are offset by advantages. It is about alike. If the distances are little further the ports are more accessible?

A. That is about it.

Q. I represented some of the shipping interests on the mainland and one of the representatives said that they make railroad rates a good deal like playing golf—I suppose the steamship rates are something like that?

A. Yes, in some ways they are.

Q. There is no scientific principle underlying the rates that you charge?

A. Some ports are easier to get to than some others. Some ports it is such a dangerous thing to go into the landing—sometimes in the winter time we have to take back all the freight, it is so rough.

Q. Now, then, these landings which you spoke of, who maintains them?